Message Text

LIMITED OFFICIAL USE

PAGE 01 BERN 02373 261444Z ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 IGA-02 /096 W

-----261452Z 056062/50

PR 261040Z MAY 77

FM AMEMBASSY BERN

TO SECSTATE WASHDC PRIORITY 4409

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

LIMITED OFFICIAL USE BERN 2373

PASS TREASURY FOR SOLOMON

EO 11652: NA TAGS: EFIN PO

SUBJ: FINANCIAL ASSISTANCE FOR PORTUGAL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BERN 02373 261444Z

REF: STATE 117741

SUMMARY: I CALLED ON AMBASSADOR HEGNER ON MAY 25 TO MAKE POINTS REFTEL. THE FEDERAL POLITICAL DEPARTMENT IS ACUTELY AWARE OF THE NEED AND SEARCHING FOR A WAY TO RESPOND CONSISTENT WITH LIMITATIONS IMPOSED BY INTERNAL POLITICAL CONSIDERATIONS. HOWEVER THERE

IS SIGNIFICANT OPPOSITION TO PARTICIPATION IN OTHER DEPARTMENTS. THE SWISS WILL NOT BE ABLE TO RESOLVE THESE DIFFERENCES UNTIL AFTER CIEC. END SUMMARY.

1. I MADE POINTS CONTAINED STATE 117741 TO FIRST DIVISION CHIEF ANTON HEGNER OF THE FEDERAL POLITICAL DEPT ON MAY 25. HIS DEPUTY ANDRE MAILLARD, WHO IS IMF EXPERT, AND ECONOMIC AND FINANCIAL DEPUTY ERNST THURNHEER WERE WITH HIM. I STRONGLY EMPHASIZED IMPORTANCE WE PLACE ON PORTUGUESE ASSISTANCE EFFORT AND SWITZERLAND'S SUPPORT IN THIS REGARD. I ALSO EXPRESSED ADMIRATION FOR FEDERAL COUNCILOR GRAMBER'S ELOQUENT AND FORTH-RIGHT STATEMENT IN SUPPORT OF PORTUGUESE DEMOCRACY AT THE MAY 13 EFTA MEETING IN VIENNA (QUOTE: WE HAVE FOLLOWED THE RISE OF THIS DEMOCRACY, BASED ON AN IMPRESSIVE MANIFESTATION OF THE PEOPLE'S WILL, WITH THE UTMOST SYMPATHY AND WE WOULD LIKE TO EXPRESS OUR VIEW THAT IT IS IN THE INTEREST OF THE GREAT FAMILY OF WESTERN DEMOCRACIES TO SUPPORT THE FIRST EFFORTS OF A NEW MEMBER, WHOSE STEPS ARE STILL HINDERED BY ECONOMIC AND SOCIAL DIFFICULTIES. END QUOTE)

2. AMBASSADOR HEGNER SAID HE COULD ASSURE US THERE IS SYMPATHY FOR OUR OBJECTIVES AND BELIEVES SWISS CONCERN FOR PORTUGUESE DEMOCRACY WILL FIND EXPRESSION IN SOME WAY THAT IS NOT MERE WORDS. HE NOTED THAT SENIOR SWISS OFFICIALS WILL NECESSARILY BE TIED UP IN THE NORTH-SOUTH MEETINGS IN PARIS DURING THE DAYS AHEAD AND HE CANNOT PROMISE SYSTEMATIC SWISS CONSIDERATION OF PORTUGUESE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BERN 02373 261444Z

ASSISTANCE BEFORE EARLY JUNE. HE ALSO SAID FRANKLY THAT THERE ARE DIFFERENCES OF VIEW WITHIN THE SWISS GOVERNMENT ABOUT WHETHER SWITZERLAND SHOULD PARTICIPATE. THE FEDERAL POLITICAL DEPAOVCQED TO THE NEED FOR IMMEDIATE FINANCIAL ASSISTANCE TO PORTUGAL.

3. HEGNER REFERRED TO THE REFERENDUM RESULT ON IDA CO DMOBE. THIS
GIVES THE SWISS GOVERNMENT IN CONSIDERING FINANCIAL
ASSISTANCE REQUESTS. HE ALSO REFERRED TO THE DESIRABILITY,
IF AT ALL POSSIBLE, OF FINDING A FORMULA WHICH WOULD
AVOID THE NECESSITY OF PARLIAMENTARY ACTION. WHAT THE
SWISS ARE THINKING ABOUT, HE SAID, WAS CONSOLIDATION AND
A ROLL OVER OF ALL OR A PART OF THE CREDIT THE SWISS
NATIONAL BANK HAS ALREADY EXTENDED TO PORTUGAL. THESE
LOANS COME DUE AT THE END OF THIS YEAR. IF THE SWISS
GOVERNMENT COULD SUBSTITUTE A CONFEDERATION GUARANTEE
OF THESE CREDITS, IN CONNECTION WITH THE ROLL OVER IN
PLACE OF THE CURRENT LIEN ON PORTUGUESE GOLD RESERVES,

THIS WOULD FREE THE PORTUGUESE GOLD WHICH NOW SERVES AS COLLATERAL.

4. HEGNER ASKED ME IF WE HAD SET A MONETARY FIGURE FOR THE SWISS CONTRIBUTION. I SAID I HAD HEARD A COUPLE OF FIGURES WHICH SOME OUR OUR PEOPLE HAD BEEN USING FOR PLANNING PURPOSES BUT THAT I FELT IT WOULD BE PRESUMPTIOUS FOR THE U S TO BE PROPOSING A FIGURE TO THE SWISS. HEGNER EXPRESSED SATISFACTION WITH THIS RESPONSE. HE NOTED THAT THE SWISS HAD CONTRIBUTED TO PORTUGUESE RECOVERY IN THE EFTA CONTEXT, IN THE FRAMEWORK OF THE COUNCIL OF EUROPE AND THROUGH SWISS NATIONAL BANK LOANS EXTENDED DIRECTLY AND IN THE FRAMEWORK OF THE BIS. I EXPRESSED OUR DEEPEST APPRECIATION FOR WHAT SWITZERLAND HAD ALREADY DONE AND EMPHASIZED ONCE AGAIN THE PRESENT NEED AND THE IMPORTANCE OF TAKING THE ADDITIONAL STEP SO CLEARLY NECESSARY FOR THE PRESERVATION AND STRENGTHENING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BERN 02373 261444Z

OF PORTUGUESE DEMOCRACY.

5. COMMENT: ALTHOUGH I HAVE NO HARD INFORMATION. IT IS POSSIBLE THE SWISS MIGHT CONSIDER ROLLING OVER AS MUCH AS \$50 MILLION IN SWISS NATIONAL BANK LOANS AND SUBSTITUTING A CONFEDERATION GUARANTEE FOR THE GOLD RESERVE GUARANTEE. HOWEVER, THE SWISS MAY WISH TO DO THIS WITH MINIMUM OR NO PUBLICITY. IT IS NOT CLEAR, ASSUMING THEY DO HAVE TO FOLLOW THIS ROUTE, HOW MUCH PUBLIC DISCUSSION WOULD BE POLITICALLY ACCEPTABLE TO THEM. NOR SHOULD WE UNDERESTIMATE THE STRENGTH OF THE OPPOSITION WITHIN THE SWISS ADMINISTRATION TO GRANTING FURTHER BILATERAL ASSISTANCE TO PORTUGAL. THERE ARE SEVERAL FACTORS BEHIND THIS OPPOSITION: CONCERN ABOUT POTENTIAL INTERNAL POLITICAL PROBLEMS; FEAR THAT THIS WILL ONLY BE THE FIRST IN A SERIES OF SUCH REQUESTS INVOLVING, IF NOT PORTUGAL, OTHER EUROPEAN COUNTRIES WHICH ARE ALSO IN DIFFICULTY; AND THE STRONG PREFERENCE OF THE SWISS, IF THEY ARE TO DO SOMETHING LIKE THIS. TO DO IT THROUGH A MULTILATERAL INSTITUTION RATHER THAN BILATERALLY. UNFORTUNATELY. THE OPPOSITION OR RESERVE INCLUDES. IN ADDITION TO SOME MINISTRY OF FINANCE PEOPLE, AMBASSADOR PAUL JOLLES, THE DIRECTOR OF THE DIVISION OF COMMERCE. HIS PRESENT ATTITUDE, AS WELL AS THAT OF SOME OF THE OTHER SWISS, MAY REFLECT HIS AND THEIR FEELING THAT THEY EXPOSED THEMSELVES CONSIDERABLY IN OBTAINING SWISS RATIFICATION OF THE OECD FINANCIAL SUPPORT FUND AND THEIR SUBSEQUENT DIAPPOINTMENT. I WOULD ADD THAT THE SIGNALS THESE PEOPLE ARE PROBABLY GIVING THEIR COUNTERPARTS IN THE EC. FOR EXAMPLE, ARE MORE BEARISH ON THE PROSPECTS FOR SWISS PARTICIPATION THAN THE VIEWS EXPRESSED BY HEGNER. DAVIS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X

Capture Date: 01-Jan-1994 12:00:00 am Channel Indicators: n/a

Current Classification: UNCLASSIFIED

Concepts: ECONOMIC ASSISTANCE, ECONOMIC DEVELOPMENT, DIPLOMATIC DISCUSSIONS, FINANCIAL CONTRIBUTIONS, FOREIGN

ASSISTANCE Control Number: n/a Copy: SINGLE

Sent Date: 26-May-1977 12:00:00 am Decaption Date: 01-Jan-1960 12:00:00 am

Decaption Note: Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009

Disposition Date: 22 Ma Disposition Event: Disposition History: n/a Disposition Reason: Disposition Remarks:

Document Number: 1977BERN02373 Document Source: CORE Document Unique ID: 00

Drafter: n/a Enclosure: n/a Executive Order: N/A Errors: N/A

Expiration:

Film Number: D770188-0645

Format: TEL From: BERN

Handling Restrictions: n/a

Image Path:

Legacy Key: link1977/newtext/t19770516/aaaaanow.tel

Line Count: 170 Litigation Code IDs:

Litigation Code is: Litigation Codes: Litigation History: Locator: TEXT ON-LINE, ON MICROFILM Message ID: 4aa3bc89-c288-dd11-92da-001cc4696bcc

Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE

Original Handling Restrictions: n/a
Original Previous Classification: n/a

Original Previous Handling Restrictions: n/a
Page Count: 4

Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE

Previous Handling Restrictions: n/a Reference: 77 STATE 117741 Retention: 0

Review Action: RELEASED, APPROVED

Review Content Flags:

Review Date: 01-Dec-2004 12:00:00 am

Review Event:

Review Exemptions: n/a **Review Media Identifier:** Review Release Date: n/a Review Release Event: n/a Review Transfer Date: Review Withdrawn Fields: n/a

SAS ID: 2362236 Secure: OPEN Status: NATIVE

Subject: FINANCIAL ASSISTANCE FOR PORTUGAL LIMITED OFFICIAL USE LIMITED OFFICIAL USE TAGS: EFIN, PO, SZ

To: STATE Type: TE

vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/4aa3bc89-c288-dd11-92da-001cc4696bcc Review Markings:

Margaret P. Grafeld Declassified/Released **US Department of State** EO Systematic Review 22 May 2009

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009